

Message Text

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43

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 6659

INFO AMEMBASSY COPENHAGEN

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY WARSAW

AMEMBASSY PRAGUE

AMEMBASSY BUDAPEST

AMEMBASSY BUCHAREST

AMEMBASSY SOFIA

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SUBJ: FINLAND BEGINS BILATERAL TRADE NEGOTIATIONS WITH EAST
EUROPEAN COUNTRIES

REF : HELSINKI 699

BEGIN SUMMARY. ON AUGUST 15, FINLAND BEGAN ITS NEGOTIATIONS
WITH BULGARIA, TO BE FOLLOWED BY OTHER EAST EUROPEAN COUNTRIES,
FOR THE REMOVAL OF BARRIERS TO TRADE. THESE NEGOTIATIONS ARE
RELATED TO BUT SEPARATE FROM THE AGREEMENT SIGNED EARLIER BE-
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TWEEN FINLAND AND CEMA (COUNCIL FOR ECONOMIC COOPERATION AND

MUTUAL ASSISTANCE) AND ARE INTENDED ON THE PART OF FINLAND TO OBTAIN TRADE CONCESSIONS FOR IN SUBSTANCE MOST-FAVORED-NATIONS (MFN) TREATMENT WHICH FINLAND DESIRES TO EXTEND TO THEM, ONCE THE INDUSTRIAL FREE TRADE AGREEMENT IS SIGNED WITH THE EUROPEAN COMMUNITY (EC). IT IS DIFFICULT TO ENVISION FINLAND'S RECEIVING ADEQUATE BILATERAL TRADE CONCESSIONS TO COMPENSATE FOR MFN TREATMENT OF IMPORTS FROM CEMA COUNTRIES BECAUSE OF DIFFERENCES IN THE TRADING SYSTEMS. NEVERTHELESS, THESE TALKS WILL SERVE TWO PURPOSES: (1) FINLAND WILL HAVE DEMONSTRATED ITS CONTINUING POLITICAL DESIRE TO EXPAND TRADE WITH THE EAST AND (2) FINLAND WILL OBTAIN ADDITIONAL INFORMATION ON WHAT IS REQUIRED TO FACILITATE TRADE WITH THE EAST. END SUMMARY.

1. ON AUGUST 15, FINLAND BEGAN WITH BULGARIA THE FIRST OF A SERIES OF BILATERAL NEGOTIATIONS WITH CEMA COUNTRIES (EAST EUROPEAN) TO REMOVE TARIFF AND NON-TARIFF BARRIERS TO TRADE BETWEEN THEM. THE ANNOUNCED FINNISH PURPOSE IS TO ARRIVE AT AN ARRANGEMENT TO REMOVE TRADE BARRIERS ON A "RECIPROCAL" BASIS. IN SUBSTANCE, FINLAND INTENDS TO EXTEND MFN TREATMENT TO THE CEMA COUNTRIES IN EAST EUROPE ONCE IT SIGNS THE INDUSTRIAL FREE TRADE AGREEMENT WITH THE EUROPEAN COMMUNITY. THIS WOULD BE IN LINE WITH CONCESSIONS GRANTED TO THE SOVIET UNION WHEN FINLAND JOINED THE EUROPEAN FREE TRADE ASSOCIATION (EFTA) IN 1961.

2. ALTHOUGH THE RECENT AGREEMENT WITH CEMA (SEE REFTTEL) ESTABLISHED A "COOPERATION COMMISSION" TO EXPLORE POSSIBILITIES FOR ECONOMIC COOPERATION, THE CURRENT NEGOTIATIONS ARE SEPARATE AND CONSISTS OF A SERIES OF BILATERAL TALKS. FOLLOWING BULGARIA, TALKS WILL BE HELD WITH HUNGARY AND CZECHOSLOVAKIA THE WEEK OF AUGUST 20 AND WITH POLAND IN LATE AUGUST. OTHERS PROBABLY WILL BE IN EARLY SEPTEMBER.

3. PAAVO KAARLEHTO, ACTING CHIEF OF THE COMMERCIAL DEPARTMENT OF THE FOREIGN OFFICE, WHO IS HEADING THE FINNISH DELEGATION ANNOUNCED TO THE PRESS ON AUGUST 17 THAT "IT IS NOT VERY DIFFICULT FOR FINLAND ANY MORE TO GET 'SERVICE IN RETURN' FOR CONCESSIONS GIVEN". MOREOVER, HE SAID THAT "EVEN THOUGH ONE'S OWN INTEREST IS THE STARTING POINT, ONE MAY ATTEMPT TO SHOW THAT DISCRIMINATION IS NOT ESSENTIAL TO EAST-WEST TRADE RELATIONS." IN RECENT PRIVATE CONVERSATIONS WITH AN EMBASSY OFFICER,

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KAARLEHTO IN RESPONSE TO QUESTIONS INDICATED THAT HE DID NOT KNOW WHAT KIND OF CONCESSIONS COULD BE OBTAINED AND ONLY SAID "WE SHALL SEE." IN AN EARLIER CONVERSATION WITH FOREIGN MINISTER AHTI KARJALAINEN, HE ALSO TOOK A SIMILAR POSITION.

4. THE EAST EUROPEAN CEMA COUNTRIES ACCOUNT FOR ONLY ABOUT 4.3 PERCENT OF TOTAL FINNISH IMPORTS, OF WHICH ABOUT ONE-FIFTH CONSISTS OF COAL FROM POLAND AND THE REMAINDER OF OTHER RAW MATER-

IALS, FOODSTUFFS, AND SEMI-MANUFACTURES WHICH DO NOT DIRECTLY COMPETE AGAINST DOMESTIC FINNISH PRODUCTS. THUS, FINLAND CAN AFFORD TO BE GENEROUS IN EXTENDING MFN TREATMENT AND IN ACCEPTING MINIMAL CONCESSIONS IN RETURN. ON THE OTHER HAND, IT IS DIFFICULT TO ENVISION FINLAND'S RECEIVING ADEQUATE BILATERAL TRADE CONCESSIONS TO COMPENSATE FOR MFN TREATMENT BECAUSE OF DIFFERENCES IN THE TRADING SYSTEMS. NEVERTHELESS, THESE TALKS SERVE TWO PURPOSES: (1) FINLAND WILL HAVE DEMONSTRATED ITS CONTINUING POLITICAL DESIRE TO EXPAND TRADE WITH THE EAST AND (2) FINLAND WILL OBTAIN ADDITIONAL INFORMATION ON WHAT IS REQUIRED TO FACILITATE TRADE WITH THE EAST.

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